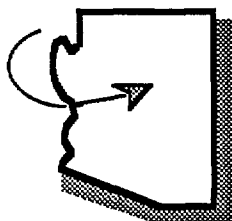
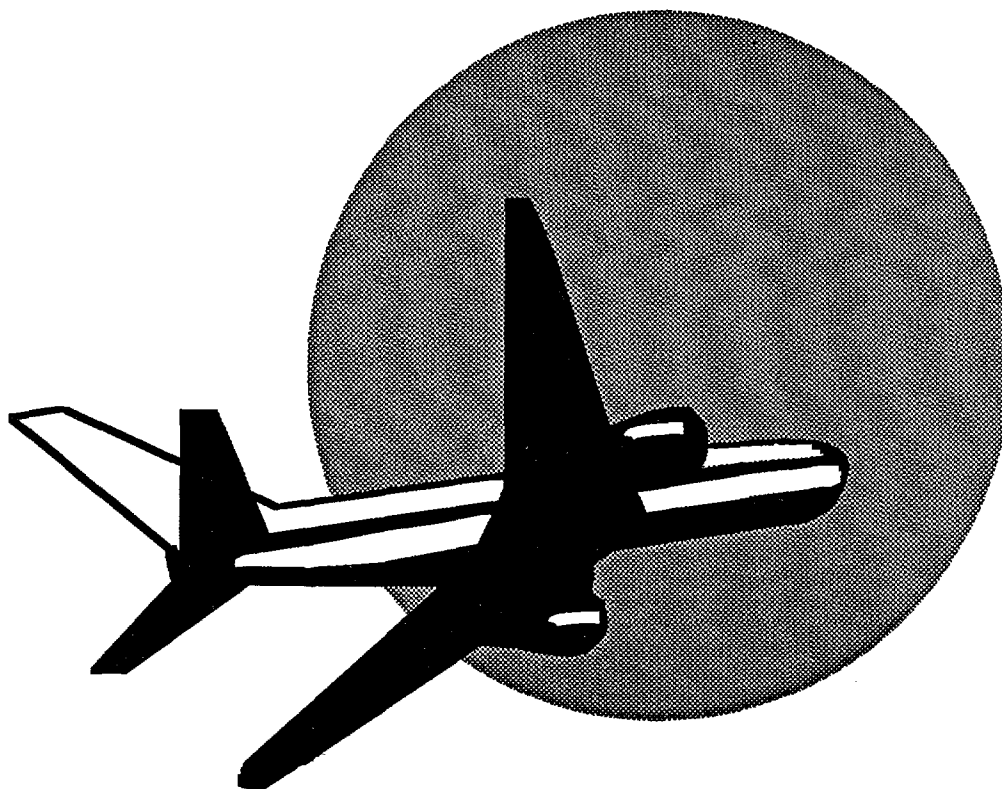


85-86

***AERONAUTICS DIVISION
PROGRESS REPORT***



ARIZONA DEPARTMENT OF TRANSPORTATION

1985-86

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HISTORY

The history of the Arizona Department of Transportation, Aeronautics Division, began with the creation of the Arizona Aviation Authority in March of 1950. The Authority originally consisted of an unpaid board of five members serving three-year terms. The primary purpose of the board was to advise the Governor and the legislature on aviation matters.

In May of 1955, a part-time director was appointed. Later that same year, the position became full-time. The Authority started monthly publication of a newsletter in 1956 and an airmarking program to aid in cross-country navigation in 1958. By 1959, the Authority had begun assisting communities in developing airfields. In 1962, the legislature created the Arizona Department of Aeronautics and appropriated funds to assist in construction of a Grand Canyon National Park Airport. Construction design began in 1963 and the airport officially opened two years later.

The old Department of Aeronautics was controlled by a seven-member Aeronautics Board. The Board members were appointed to five-year terms by the Governor and the Senate. The primary function of the Board was to budget funds for airport development.

In 1974, the Departments of Aeronautics, Highways and Motor Vehicles were combined to form the present-day Arizona Department of Transportation.

Directors

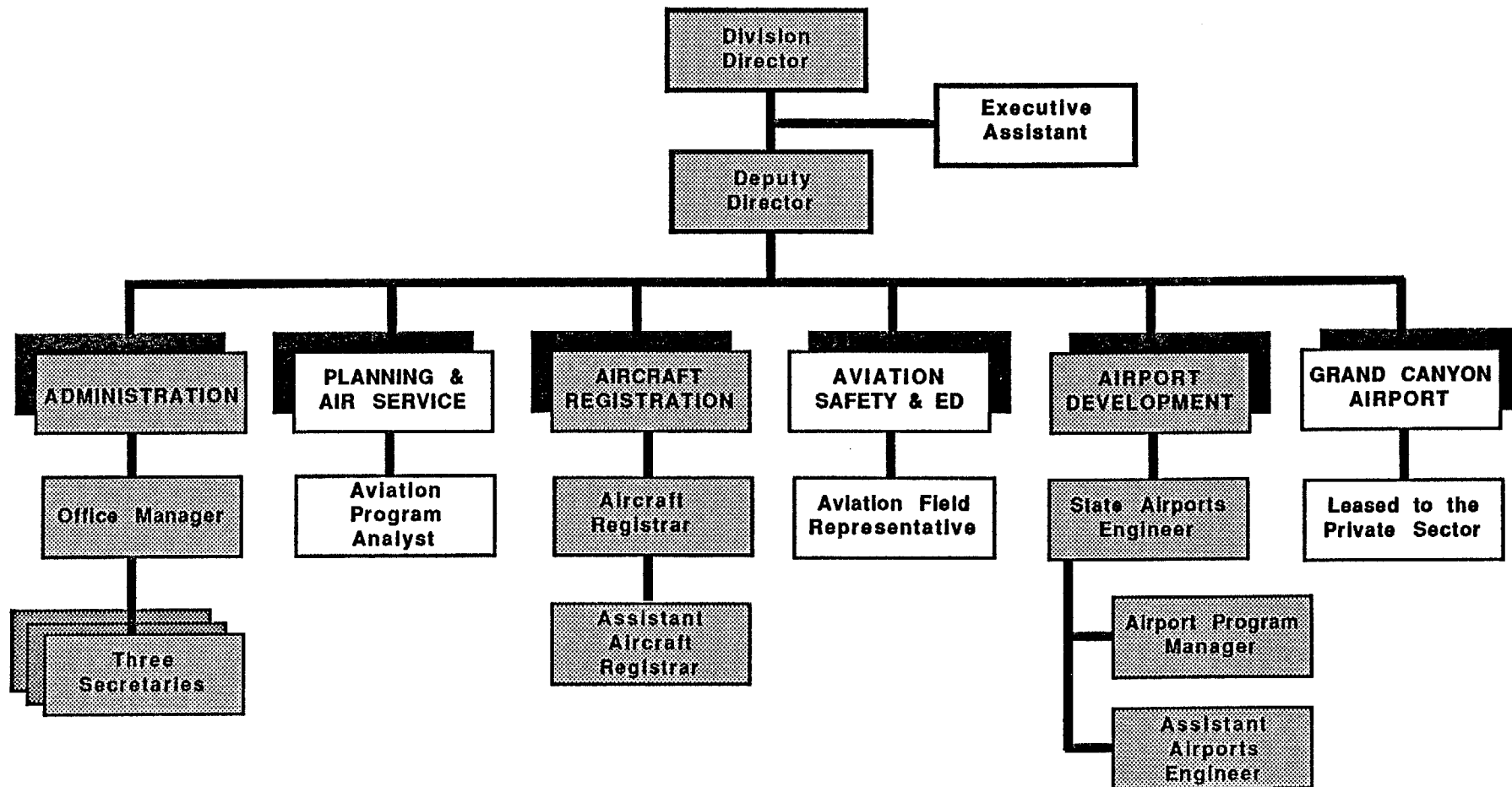
1955 - 1975	James Vercillino
1975 - 1975	John Burns
1975 - 1978	John Walters
1978 -	Ascencion (Sonny) Najera

AUTHORITY AND RESPONSIBILITY

The Arizona Department of Transportation is composed of five divisions; Aeronautics, Highways, Transportation Planning, Motor Vehicles and Administrative Services. The Aeronautics Division is charged by state law to: encourage and advance the safe and orderly development of aviation in the State; assemble and distribute to the public information relating to aviation; represent the State on issues of routing and rate schedules concerning commercial airline traffic; accept federal and other monies for airport development or air navigation facilities; ensure that the Grand Canyon National Park Airport is operated and maintained; certificate aircraft dealers; register non-airline aircraft within the State and make recommendations on legislative and policy issues. For statutory references, see Arizona Revised Statutes, Title 28, Chapter 12.

The Aeronautics Division is organized along functional lines of responsibilities. As the organizational chart on the next page indicates, the Division is composed of the Aircraft Registration, Airports Development, Grand Canyon National Park Airport, Air Service, Aviation Safety and Education, and Administration Sections.

**ARIZONA DEPARTMENT OF TRANSPORTATION
AERONAUTICS DIVISION
ORGANIZATIONAL CHART**



ARIZONA AIRPORT SYSTEM DESCRIPTION

Airports are considered facilities which enable residents of a community to have access to the national system of airspace and airports. From a state standpoint, it is considered desirable to provide the general public with no more than a 30-minute driving time to a public use airport facility. In Arizona, there are 260 airports/heliports registered with the Federal Aviation Administration (FAA). A primary system of 59 key airports provides service to about 87 percent of the population with registered aircraft in 1984. Of the 59 system airports, 47 are publicly owned, while 7 are Indian-controlled and 5 are private.

Primary airports are those airports which have:

- * 10 or more based aircraft and/or 2,000 or more annual operations;
- * Scheduled air service by either an air carrier or commuter airline on a regular basis; or
- * Projections to meet the above criteria within 10 years.

Of the 206 facilities, there are 76 heliports or helistops currently listed by the FAA in Arizona. At present, all are private-restricted facilities.

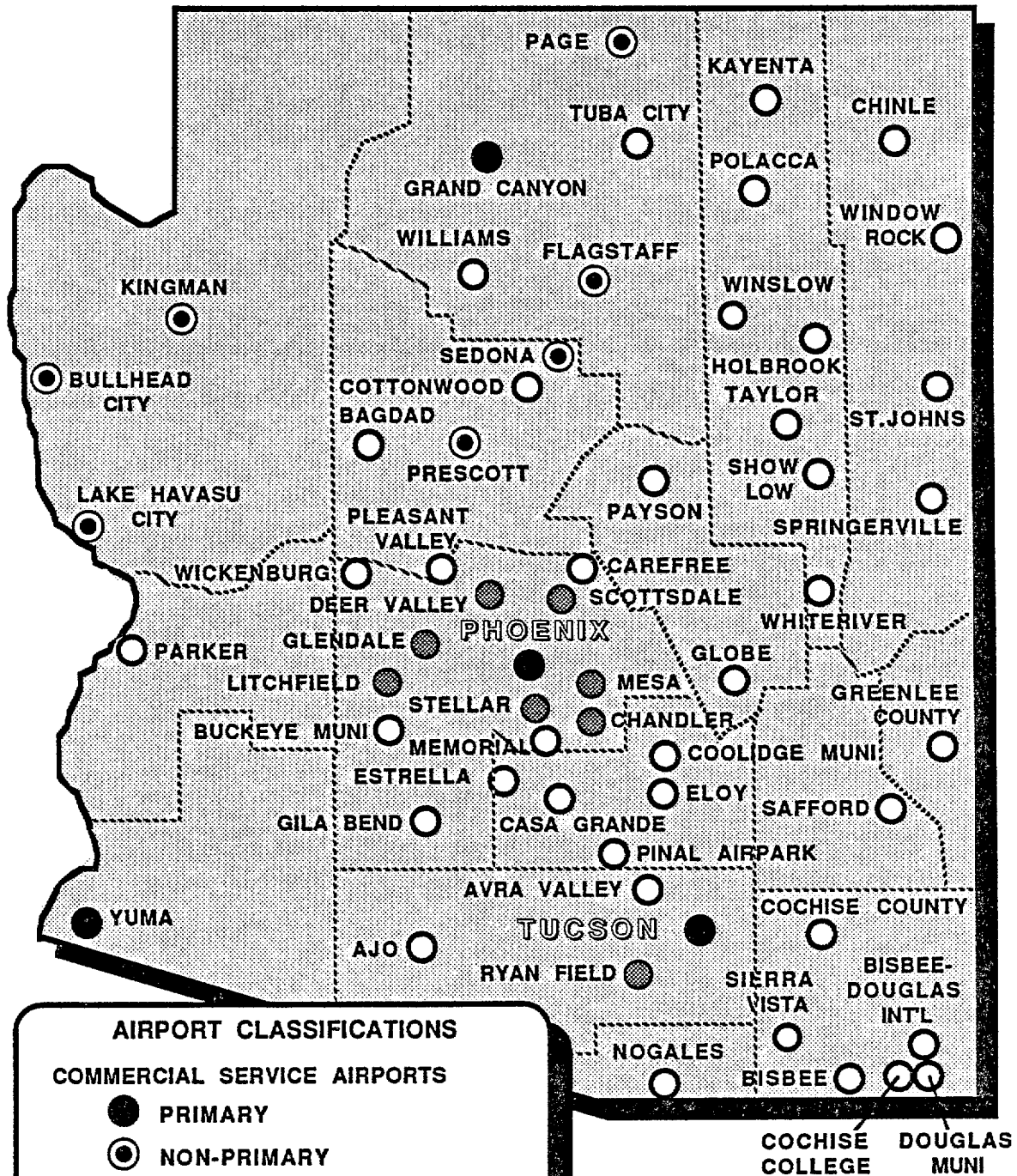
Capital improvements for active airport facilities are often financed by a combination of generally available sources: federal funds, state funds and local funds. The federal funds are generated by aviation users and administered back to airports by the Federal Aviation Administration. For Federal funding purposes, airports are categorized and defined as noted below:

ARIZONA SYSTEM AIRPORTS BY TYPE

Primary Commercial Service (Including Sky Harbor & Tuscon Int'l); An airport served by scheduled airlines and enplaning .01 percent of the nation's total passengers.	4
Non-Primary Commercial Service Airports Airports with regularly scheduled service and enplaning 2500 or more passengers.	9
Reliever Airports Relieves congestion at a commercial service airport and provides more general aviation access to the overall community.	6
General Aviation Airports Any airport used for general purposes.	<u>40</u>
TOTAL SYSTEM AIRPORTS	59

ARIZONA DEPARTMENT OF TRANSPORTATION

PRIMARY AIRPORT SYSTEM



AIRPORT DEVELOPMENT

The Airport Development Section is responsible for the administration of the statewide 5-year Airport Development Program. The administration of this program involves:

- 1) Systematic planning coordination to ensure logical and equitable growth for all public-owned and public-use airport facilities within the state.
- 2) Funding aid and assistance to airport sponsors.
- 3) Technical support for airports and airport projects.
- 4) Grand Canyon Airport construction projects.

PROGRAMMING

The planning process for the 5-year Airport Development Program focuses on an extensive evaluation of needs directed toward developing an improvements program consistent with the goals established in the recently published State Arizona Aviation Needs Study. Needs are then related to anticipated funds to arrive at a financially balanced program that makes the best use of available aviation dollars.

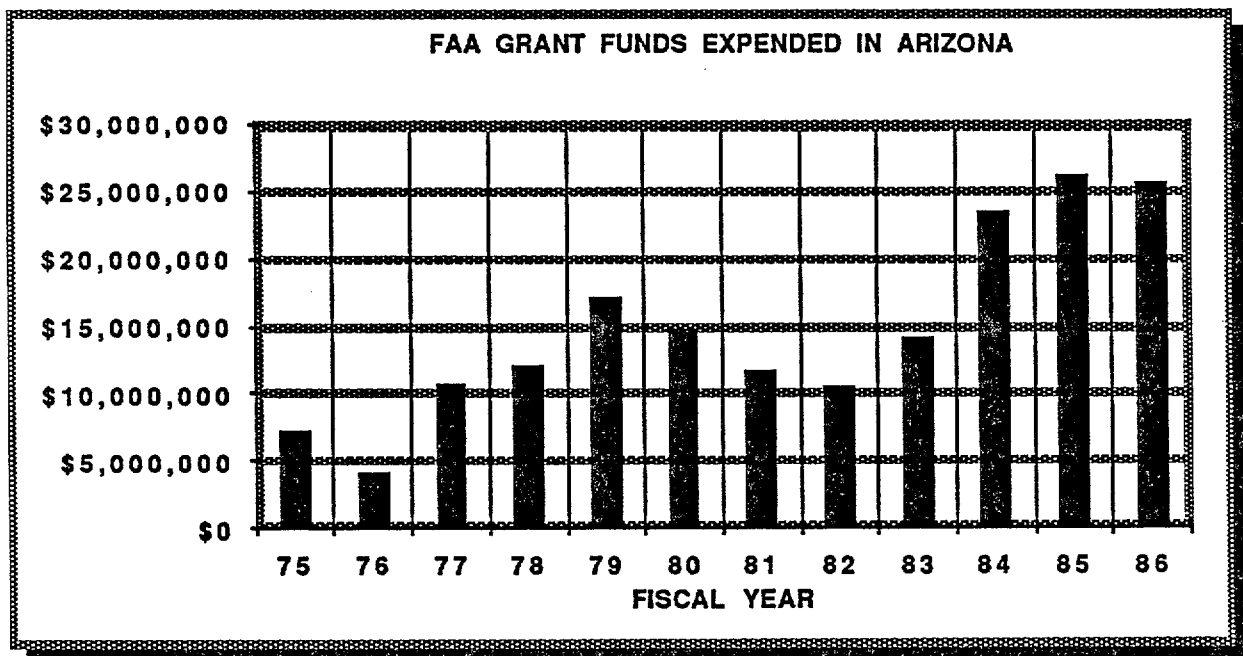
FUNDING

Airport construction and development in Arizona is accomplished through a cooperative effort involving three levels of government - federal, state and local. Each of these governmental units has shared in the financing of airport development projects in the state.

The Federal Airport Improvement Program, when viewed in dollars allocated per year, has increased more than 350% from 1976 to 1986 and has doubled from 1982. This is an indicator of the growth of aviation in Arizona and the success of the Aeronautics Division in obtaining discretionary funding from Federal Aviation Administration (FAA). Figure No. 1 depicts this graphically.

At the local level, funds for airport development may come from several sources. General fund contributions, revenue from general obligation bonds, user taxes and revenues from airport leases and concessions are some of the primary sources of funding. However, in terms of airport needs, the local communities will be unable to keep pace without increased federal or state assistance. Under the current program, the local sponsor provides a matching share of just under five per cent on federal participating projects and ten per cent on state/local projects.

Figure No. 1



The number of airport projects has increased substantially. Between FY 1975-76 and FY 1979-80, a total of 68 airport projects were completed. During the next five-year period from FY 1980-81 to FY 1984-85, the total number of completed projects rose to 148. This represents an increase of 117% when comparing the two five-year periods. Figure No. 2 illustrates this increase. Twenty-six projects were completed in FY 1985-86 and forecasts for FY 1986-87 indicate that 40 projects will be completed.

Additionally, State expenditure amounts for projects that were completed have increased as Figure No. 3 indicates. Between FY 1975-76 and FY 1979-80, a total of \$1.94 Million of state funds were expended on completed airport projects. During the next five-year period from FY 1980-81 to FY 1984-85, the total amount of State expenditures for completed projects rose to \$11.6 Million. The amount of expenditures for closed projects for FY 1986-87 is estimated to be \$4.5 Million. The dramatic increase in the amount of State grant expenditures reflects the high demand for airport improvements at the present time and further supports increasing demands in the next 10 years.

Although changes in State revenue sources were made during the past year, only a small growth in state aviation revenues can be anticipated over the next ten years. Unless additional sources are found, the projected economic outlook for the state airport system is not good.

PROJECT ADMINISTRATION

All airport construction projects funded through the Five-Year Airport Development Program are subjected to technical review and monitoring from design through construction. During the design phase, the Airport Development Section assists sponsors in locating and interpreting design criteria. Additional assistance is rendered by reviewing and commenting on engineering agreements, plans, specifications and contract documents for compliance with State grant requirements.

As the project progresses through the construction phase, the Airport Development section reviews bid tabulations, performs field reviews of work during construction, reviews field and laboratory procedures and test results and analyzes and approves change orders. At the conclusion of the project, a final inspection is performed. As-built plans and certified quantities are required before final payment is made. Most projects are audited to ensure compliance with grant and contractual requirements.

TECHNICAL ASSISTANCE

The objective of the Airport Development Section is to provide technical assistance to the Airport Sponsor to improve construction quality, lower construction costs and to simplify administrative procedures through all stages of the project and to assist local officials in the development of their airport facilities in a cost-effective manner.

Figure No. 2

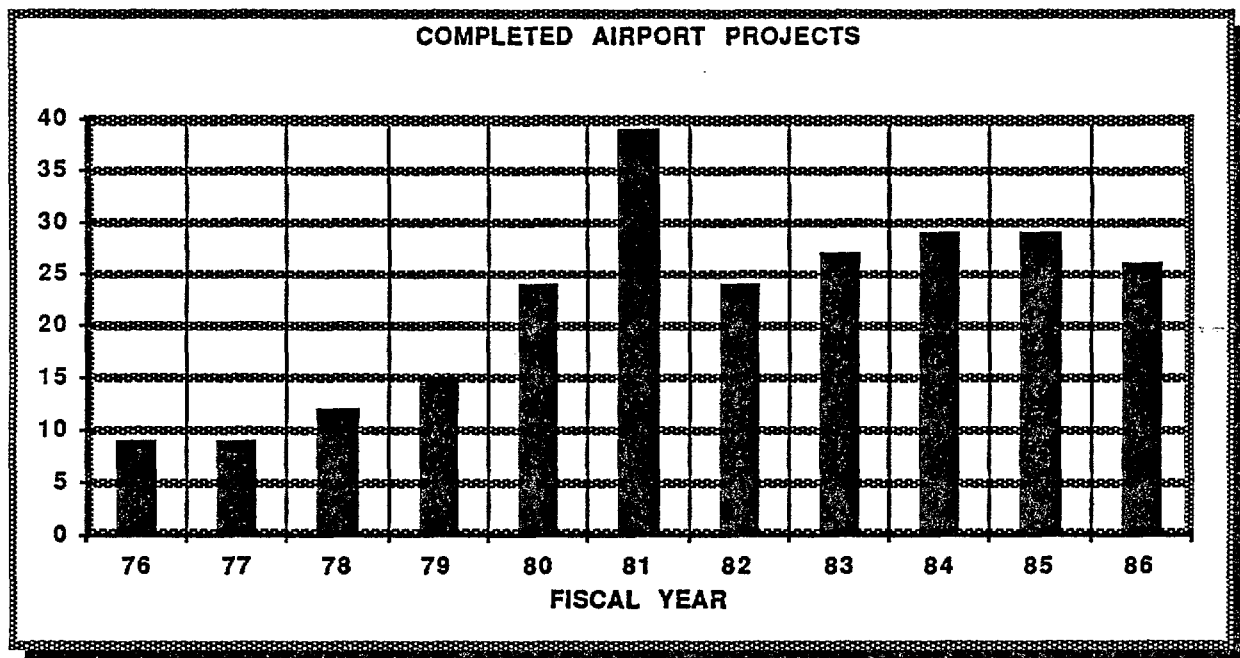
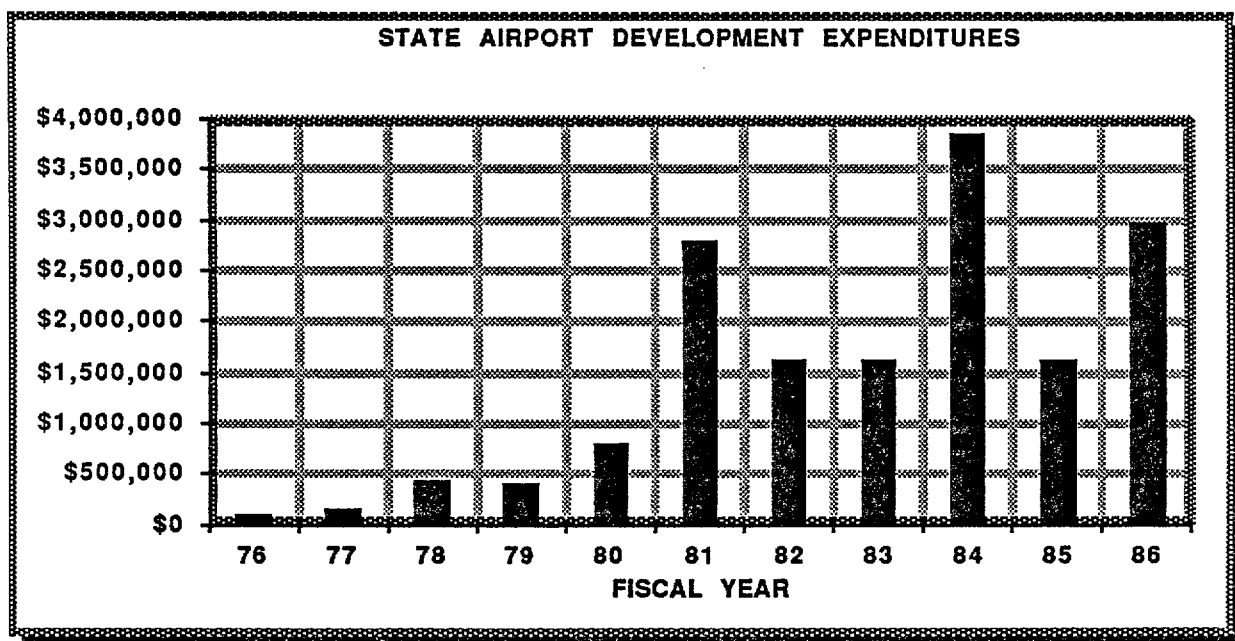


Figure No. 3



Construction quality has been upgraded by a thorough review of plans and specifications, by improved requirements for field and laboratory testing of materials and by the use of a record sampling program with the cooperation of the Highways Division.

The Airport Development Section also provides technical support for special aeronautical studies and the development of conceptual airport plans. Local airport sponsors may, at any time, receive technical comment and guidance in the development of their airports.

Construction costs are being decreased by encouraging the use of locally available mineral materials rather than using nationally developed FAA specification materials which may require special crushing or extensive transportation. Construction of experimental pavements using less expensive binders such as sulfur is also being encouraged. The sponsor's administrative burden is being reduced through the assistance provided by the Airport Development Section. Where possible, reporting forms and other documents already required by the Federal Government are also used by the State to help reduce unnecessary duplication.

GRAND CANYON AIRPORT CONSTRUCTION ENGINEERING

The Airport Development Section is responsible for engineering and administering construction projects at the State-owned Grand Canyon National Park Airport. All funding, pavement and project authorizations are processed through the Section. During 1985-86, a major parking apron expansion was designed by a consultant engineering firm, under contract to the Division.

All engineering phases of construction work undertaken at the Grand Canyon Airport, are either performed directly by this office or performed by consultant engineers under the supervision of the Airport Development Section.

Table 1

AIRPORT DEVELOPMENT PROJECTS COMPLETED IN FISCAL YEAR 1985-86

AIRPORT	PROJECT DESCRIPTION	DATE	FUND CODE	STATE AMT	LOCAL AMT	FEDERAL AMT	TOTAL AMOUNT
MESA-FALCON	Land Acquisition	Jul-85	90837	\$270,000.00	\$455,401.61	\$0.00	\$725,401.61
PRESCOTT-LOVE	Grade, Drain & Surface Parking Apron	Sep-85	90781	\$37,539.23	\$37,539.23	\$729,075.43	\$804,153.89
WICKENBURG	Master Plan	Oct-85	90751	\$826.00	\$826.00	\$18,480.00	\$20,132.00
PAGE	Surface Runway & Taxiways	Nov-85	90779	\$18,949.35	\$18,949.35	\$386,024.15	\$423,922.85
GREENLEE COUNTY	Rehab. & Mark Rwy. 7/25; Rehab. Pkg. Apr. (Pave Pres.)	Dec-85	90947	\$2,907.50	\$2,907.50	\$59,229.61	\$65,044.61
TUCSON INTNL	Land Acquisition	Dec-85	90923	\$290,000.00	\$556,052.82	\$5,310,818.00	\$6,156,870.82
PHOENIX-DEER VALLEY	Land Acquisition	Feb-86	90911	\$290,000.00	\$32,222.00	\$0.00	\$322,222.00
GLENDALE	Obstruction Removal; Utilities	Mar-86	90807	\$270,000.00	\$37,928.00	\$0.00	\$307,928.00
COCHISE COUNTY	Reconstruct Rwy., Txy. & Apr	Mar-86	90517	\$228,576.31	\$25,335.09	\$0.00	\$253,911.40
AVRA VALLEY	Medium Intens. Rwy. Lighting	Mar-86	90765	\$7,048.18	\$7,079.82	\$123,682.00	\$137,810.00
STATEWIDE	Aerial Photography	Apr-86	90743	\$6,000.00	\$0.00	\$0.00	\$6,000.00
PHOENIX-SKY HARBOR	Land Acquisition	Apr-86	90921	\$290,000.00	\$294,115.00	\$2,336,459.00	\$2,920,574.00
WINSLOW	Reconstr. Apron (Pave. Pres.)	May-86	90919	\$10,730.00	\$12,214.53	\$233,705.66	\$256,650.19
SCOTTSDALE	ANCLUC and Master Plan	Jun-86	90799	\$9,754.00	\$9,755.00	\$198,711.00	\$218,220.00
MESA	Heliport Site Selection & Master Plan Study	Jun-86	90839	\$2,458.00	\$2,459.00	\$50,083.00	\$55,000.00
LAKE HAVASU	Master Plan	Jun-86	90763	\$3,355.00	\$3,356.00	\$68,357.00	\$75,068.00
DOUGLAS	Surface Main Runway 3/21	Jun-86	90935	\$198,353.00	\$52,777.00	\$0.00	\$251,130.00
SELIGMAN	Airport Master Plan	Jun-86	90791	\$13,050.00	\$1,450.00	\$0.00	\$14,500.00
CHANDLER	G/D/S Pkg Apr & Access Road; Security Lts; Land Acquisition	Jun-86	90767	\$49,500.00	\$263,171.98	\$1,146,909.98	\$1,459,581.96
CHANDLER	Land Acquisition	Jun-86	90701	\$140,800.00	\$15,650.00	\$0.00	\$156,450.00
CHANDLER	Land Acquisition	Jun-86	90803	\$70,000.00	\$50,000.00	\$0.00	\$120,000.00

Table 1 con't

AIRPORT DEVELOPMENT PROJECTS COMPLETED IN FISCAL YEAR 1985-86 - Continued

CHANDLER	Land Acquisition	Jun-86	90943	\$240,900.00	\$26,800.00	\$0.00	\$267,700.00
PAYSON	Surface Main Runway 6/24	Jun-86	90735	\$263,352.16	\$29,261.35	\$0.00	\$292,613.51
STATEWIDE	Aerial Photos	Jun-86	90831	\$6,000.00	\$0.00	\$0.00	\$6,000.00
GILA BEND	MIRL	Jun-86	90817	\$93,011.67	\$10,334.63	\$0.00	\$103,346.30
MESA HELIPORT	Construct Heliport	Jun-86	90849	\$48,415.00	\$5,380.00	\$0.00	\$53,795.00
CLOSED PROJ. TOTALS FY 1985-86				\$2,861,525.40	\$1,950,965.91	\$10,661,534.83	\$15,474,026.14

AIRCRAFT REGISTRATION

The aircraft registration section is responsible for collection of an aircraft registration fee and a lieu tax which is mandated by law to be one percent of the average fair market value of the aircraft. The division uses the Price Digest for its source on most aircraft. The fees and taxes must be paid annually by the last day of February or within sixty days after entry into the state. Dealer aircraft are exempt from the lieu tax if the aircraft is not used commercially and held for resale only. An aircraft in storage is also exempt if a proper and timely affidavit is filed. A non-resident may base his aircraft in the state ninety days in a calendar year without registering. No tax can be assessed less than twenty dollars a year except a non-resident that is subject to the tax. The revenues collected are deposited in the state aviation fund and can only be used for construction, development and improvement of publicly owned airports throughout the state.

Aircraft registration has experienced a rapid rate of growth since 1976. The number of registered aircraft has increased by 48% while collections have risen 448% during the same period. Revenue projections for 1986-87 indicate over \$1,300,000 will be collected. This amount is less than would be normally expected due to the tax rate being lowered from one percent to one-half percent. Also, the new laws regulating non-residency will also be reflected in the total collections.

The registration section works very closely with law enforcement agencies. The division's registration records are useful in determining true ownership as well as historical background of an aircraft. The registration section has developed a reputation nationwide for having the most current ownership information available. Some of the agencies which use the information include the Federal Bureau of Investigation (FBI), Drug Enforcement Administration (DEA), Department of Public Safety (DPS), Internal Revenue Service (IRS), National Narcotics Border Interdiction System (NNBIS), sheriff's offices and local city police departments. The on-line automated records system has proven very beneficial to all law enforcement agencies. Through the Arizona Department of Public Safety computers, all law enforcement agencies now have access to aircraft registration records twenty-four hours a day.

Registration also has been very active in helping other states develop aircraft registration. The registrar has worked with several legislative bodies of other states in helping to write and pass legislation to accomplish registration. In some cases the registration has been started for the first time, while other states have requested help in strengthening their present laws.

The aircraft registration section has been successful in getting banks and lending agencies to rewrite their manuals on aircraft loans to include a check with the division to see if an aircraft is properly registered and current with the taxes. It has saved problems in many instances for the lending agency as well as the prospective buyer.

All correspondence and forms are now being processed with the section's microcomputers. Aircraft are tracked on transient ramps using daily airport reports which are placed in the computer. From this information, aircraft owners are notified when their registration status changes. All aircraft to be registered are closely monitored through this process. A report is now available in the computers for daily review of the new accounts added as well as the daily receipts. All aircraft dealer information is fully automated in the computers. Tie-down lists for several airports are being put into the micros and the airports are only submitting monthly changes rather than the entire tie-down list.

Registration information is available to consultants, engineering firms and various planning groups for planning for airports as well as forecasting for future development. Also aircraft registration information is provided to the airports to assist in identifying aircraft and/or owners when necessary.

The registration section is responsible for certificating aircraft dealers in the state. A surety bond must be posted in the amount of \$10,000. Surety bonds are kept on file in the division and an aircraft purchaser can file against the bond if a sale is misrepresented. A cash deposit of \$10,000 may be substituted in lieu of a bond. The cash is placed on deposit with the state treasurer.

The collection of transfer tax is also a responsibility of the registration section. Transfer tax is assessed on the sale of an aircraft between individuals which are not subject to sales tax. This tax is 4% of the selling price on the casual sale of an aircraft. The money collected is sent to the Department of Corrections to be used for the construction of a new prisons. No transfer taxes are used for the aviation purposes.

FISCAL YEAR 1985-86

NUMBER OF AIRCRAFT REGISTERED-----	6,162
BALLOONS-----	165
GLIDERS-----	112
ANTIQUES-----	106
EXPERIMENTALS-----	181
ROTORCRAFT-----	201
LAND PLANES-----	5,233
AGRICULTURAL PLANES-----	120
ARMY SURPLUS-----	44

Figure No. 4

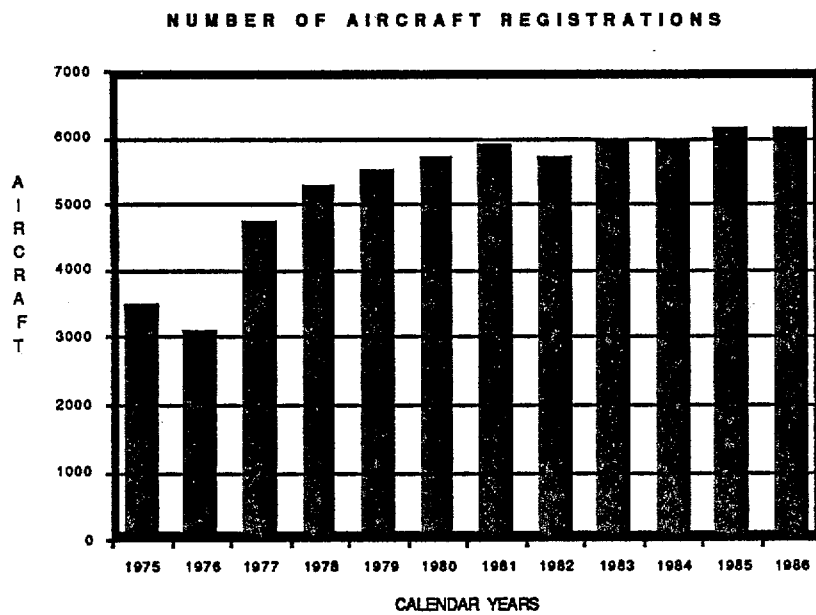


Figure No. 5

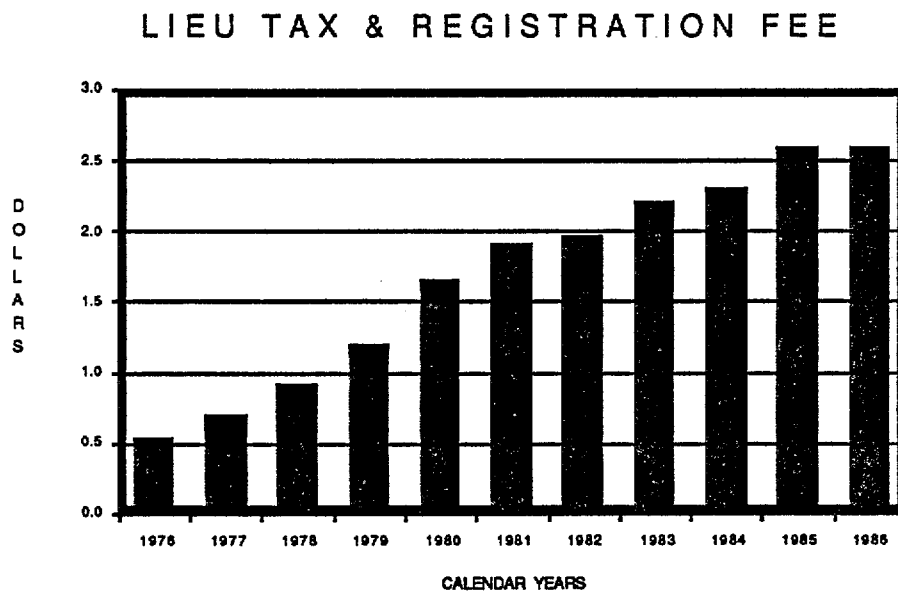


Table 2

HISTORICAL
AIRCRAFT REGISTRATION DATA

<u>FISCAL YEARS</u>	<u>AIRCRAFT REGISTERED</u>	<u>AIRCRAFT LIEU TAX</u>	<u>AIRCRAFT REG. FEES</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL REV. TAX & REG</u>
66-67	1,386	\$	\$ 5,132	\$	\$	\$ 5,132
67-68	1,541		5,037			5,037
68-69	1,795	103,528	8,818			112,346
69-70	2,135	105,058	10,876			160,930
70-71	2,499	160,731	12,248			172,979
71-72	2,945	210,202	15,238			225,440
72-73	3,283	239,821	16,308			256,129
73-74	3,463	424,776	18,641			443,417
74-75	3,487	468,546	19,590			448,136
75-76	4,073	511,330	19,585			530,915
76-77	4,372	699,569	22,213	15,510	2,864	740,156
77-78	5,131	941,568	23,129	9,295	1,668	980,791
78-79	5,289	1,264,776	24,972	10,800	1,409	1,301,957
79-80	5,403	1,608,107	26,156	19,372	5,123	1,658,757
80-81	5,846	1,851,033	27,460	18,662	8,374	1,905,649
81-82	6,009	1,904,154	27,276	19,764	9,210	1,960,405
82-83	6,062	1,949,822	28,210	25,807	15,267	2,019,106
83-84	6,000	2,194,838	29,138	24,268	16,311	2,264,555
84-85	6,159	2,521,643	29,200	21,900	16,892	2,589,635
85-86	6,162	2,567,490	30,116	21,940	10,285	2,597,606

EXCLUDING DEALERS AND STORED AIRCRAFT - CALENDAR DATA

SOURCES- AERONAUTICS DIVISION ARIZONA DEPARTMENT OF TRANSPORTATION

ADMINISTRATION

This section is responsible for the day-to-day operation of the Division. The activities of the Division Director and the Deputy Division Director are included under this section. The Administrative Section is continually involved with a wide spectrum of aviation issues which range from answering inquiries from the public to involvement in national issues of major significance to the aviation community.

The Division is involved and an active member of the National Association of State Aviation Officials (NASAO). As a result, activities such as meetings with the FAA management staff on issues affecting Arizona regarding Aviation Weather and Contract Tower Operations; heliport and airport construction funding, Part 77 obstacle criteria and Federal/State relationship on various issues has transpired. Also, the Division through the NASAO organization has attempted to strengthen working relationships with the National Air Transport Association; Airport Operators Council International, Aircraft Owners and Pilots Association and American Association of Airport Executives. The Division Director has also testified before Congress on such matters as the Federal administrative budget for aviation, Essential Air Service program and the regulation of ultralights and various other issues.

The Division participated and made presentations at the fall conference of the Arizona Airports Association meeting. The staff participated in both Maricopa Association of Governments (MAG) and Pima Association of Governments (PAG) Regional Airport and Heliport System Planning meetings. Technical assistance was provided to Phoenix and Tucson Planning and Zoning Committees on proposed helicopter ordinances. Briefings with consultants have been held providing information regarding the Statewide Aviation Needs Study. Coordination of data from the MAG and PAG Regional Aviation System Plan (RASP) studies have been established to ensure proper dovetailing of findings. Since the development of the State Airport System Plan (SASP), the Administrative Section is continually updating the plan in order to forecast activities of airports throughout the system.

An aviation data base and management information system which was started in 1984, upon delivery of the Division's first microcomputer, was expanded and enhanced. In September of 1985, the National Association of State Aviation Officials (NASAO) awarded Arizona with the "Most Innovative State Aviation Program" citing:

"outstanding innovation and creativity in the development and use of computer technology to fulfill the Division's mandate to serve the aviation community of the State...including airport system planning, aviation database management, and fiscal tracking."

This award was for developments in the five-year airport construction program, which was automated for the first time and improved staff productivity in the area of statistical calculations. The monthly newsletter was computerized, streamlining the production process and improving the quality. An informational aviation electronic bulletin board was initiated. Telecommunications capabilities were expanded to include electronic mail and communications with the National Association of State Aviation Officials (NASAO), American Association of Airport Executives (AAAE) and the FAA. At the close of the fiscal year, seven airports around the state had micro-computer capabilities and were working with the division in expanding the aviation database.

Several articles on the Division's automation advancements have appeared in numerous publications. They include: Personal Computing, January 1986; MacWorld Special Edition, Winter 1986; InfoWorld, May 1985; Airport Services Management, December 1985; Professional Solutions, Spring 1986; Filevision Magazines, Spring 1985 and Fall 1986; Government Computer News, July 4, 1986; and ASHTO Quarterly, Spring 1986.

Efforts were also coordinated with the FAA and local airport managers in verifying their data base to be used in the development of the National Plan of Integrated Airport Systems (NPIAS). Work has continued on coordinating the automation of the FAA's 5010 data base and field inspection program with Arizona becoming the first state to receive approval from the FAA to electronically supply 5010 information.

The Administrative Section supplies all support staff for the operational sections, including budget preparation, accounting and fiscal controls, management policy and direction. Also provided are all secretarial and clerical support, records management and personnel services within the Division. This section closely monitors the State Aviation Fund revenues and expenditures. The Aviation Fund receives revenue from a variety of sources including:

- a. Aviation gas taxes (\$.16 per gallon with \$.15 being refundable);
- b. Aircraft lieu tax and registration fees on non-airline aircraft are currently assessed at 1% of the fair market value of the aircraft;
- c. All revenues from the operation of the Grand Canyon National Park Airport; and
- d. Excess funds on deposit are invested by the State Treasurer.

In addition, any Federal grants given to the Division are sometimes listed as revenue, although, technically, can be considered reimbursement for expenses incurred.

The State Aviation Fund expenditures are approved through an annual budget cycle by the State Legislature. The Legislature approves an administrative budget with the remaining available funds appropriated in a lump sum for airport construction and development.

The Transportation Board, through public hearings and a priority rating system, approve individual airport construction projects as published in the Five-Year Airport and Highway Construction Program. (See Airport Development Section for more explanation)

Table 3

**AERONAUTICS DIVISION
ADMINISTRATION
REVENUE AND EXPENDITURES**

	<u>1980-1981</u>	<u>1981-1982</u>	<u>1982-1983</u>	<u>1983-1984</u>	<u>1984-1985</u>	<u>1985-1986</u>
BEGINNING FUND BALANCE:	\$3,600,000	\$3,300,000	\$4,000,000	\$4,700,000	\$3,500,000	\$4,800,000
REVENUE:						
Aviation Fuel Tax	\$ 441,000	\$ 380,600	\$ 314,639	\$ 356,399	\$ 458,488	\$465,744
Aircraft Lieu Tax	1,858,000	1,898,600	2,009,548	2,194,838	2,518,969	2,567,490
Aircraft Reg. Fee	48,000	47,200	55,600	29,138	29,137	30,116
Misc.&Investments	<u>479,000</u>	<u>380,000</u>	<u>395,400</u>	<u>427,745</u>	<u>463,846</u>	<u>765,290</u>
TOTAL	\$2,826,000	\$2,706,400	\$2,775,187	\$3,008,120	\$3,470,439	\$3,826,640
PERCENT OF INCREASE	20.2%	(4.2%)	2.5%	8.4%	15.4%	9.3%
EXPENDITURES:						
FTE	12	14	14	14	15	15
Personal Services	\$232,400	\$269,200	\$292,500	\$289,308	\$311,860	340,700
ERE	45,800	48,800	55,600	54,968	59,260	70,100
Professional & Outside Services	32,300	25,000	5,000	2,851	7,690	17,200
Travel In-State	12,100	8,800	10,600	14,455	17,160	15,300
Travel Out-of-State	5,200	6,200	8,900	10,455	8,790	9,400
OOE	57,500	43,700	57,000	52,388	64,920	49,400
Capital	0	0	0	43,522	22,260	15,200
Reimbursement to Highway Fund	<u>64,500</u>	<u>69,000</u>	<u>56,400</u>	<u>36,478</u>	<u>40,300</u>	<u>9,900</u>
TOTAL	\$ 449,800	\$ 470,700	\$ 486,000	\$ 504,425	\$532,240	\$527,200
PERCENT OF INCREASE	53.5%	4.6%	3.2%	3.7%	5.5%	(0.9%)
AIRPORT DEVELOPMENT	2,731,000	1,639,000	1,637,000	3,850,921	1,639,530	3,073,590
MISCELLANEOUS	16,000	11,000	8,700	0	0	0
TOTAL EXPENDITURES	3,196,800	2,120,700	2,131,700	4,355,346	2,171,770	3,600,790
NET INCOME (LOSS)	\$ (371,000)	\$ 585,700	\$ 643,487	\$(1,347,226)	\$1,298,669	\$225,850
ENDING AVIATION FUND BALANCE:	\$3,300,000	\$4,000,000	\$4,700,000	\$3,500,000	\$4,800,000	\$5,025,000

*Beginning and Ending Aviation Fund Balances are approximate to nearest \$100,000.

Table 4

HISTORICAL AVIATION FUEL TAX DATA

<u>FISCAL YEARS</u>	<u>GALLONS OF FUEL</u>	<u>1 CENT/GAL AVIATION FUEL TAX</u>	<u>UNCL/UNREF AV FUEL TAX</u>	<u>TOTAL REVENUE FROM GAS TAXES</u>
66-67	5,766,744	\$	\$106,791	\$106,791
67-68	5,828,129		107,935	107,935
68-69	5,798,436		102,283	102,283
69-70	5,331,384	34,528	105,996	140,524
70-71	5,818,298	59,367	110,462	169,829
71-72	6,144,510	60,307	107,932	168,239
72-73	5,885,395	59,395	126,475	186,870
73-74	6,444,930	64,207	130,815	195,022
74-75	6,871,623	69,781	143,084	212,865
75-76	7,075,481	68,343	174,982	243,325
76-77	9,577,534	72,506	186,152	258,658
77-78	9,541,147	69,926	213,890	283,816
78-79	8,159,000	85,159	254,113	339,272
79-80	9,054,499	90,545	252,089	342,634
80-81	12,453,322	124,533	324,023	448,556
81-82	11,228,545	112,285	268,315	380,600
82-83	8,482,597	84,826	224,728	309,554
83-84	8,227,983	82,279	274,120	356,399
84-85	7,637,721	76,377	382,111	458,488
85-86	6,471,370	64,714	401,030	465,744

GRAND CANYON NATIONAL PARK AIRPORT

The Aeronautics Division is responsible for the maintenance, operation and improvements of the only active State-owned airport in Arizona. The Airport is located seven miles from the south rim, and was originally constructed with funds from the Department of Interior, the Federal Aviation Administration and the State of Arizona.

Today, it is the third most active air carrier airport in the State following Phoenix Sky Harbor and Tucson International. The airport is presently served by over 70 air taxi and commuter carriers. Annual aircraft operations decreased during the year to 92,882 and the total number of passengers for 1985-86 is estimated to be 464,410.

In February 1985 the Department leased the operation, maintenance and development of the airport to private industry. AVCO Services Corporation from Houston, Texas was the successful bidder. In addition to being responsible for the daily operation and maintenance of the airport, AVCO completed a comprehensive development plan and must beginning the construction of a hotel/restaurant complex within four years.

Financially, in terms of operational expenses, the airport is operating in the black. Although the revenue figures indicate a dramatic cut in 1985-86, the State had virtualy no expenses associated with the Airport. After the hotel begins operation, it is estimated that the annual revenues will be \$250,000.

GRAND CANYON
AIRPORT
REVENUE VS. EXPENDITURES

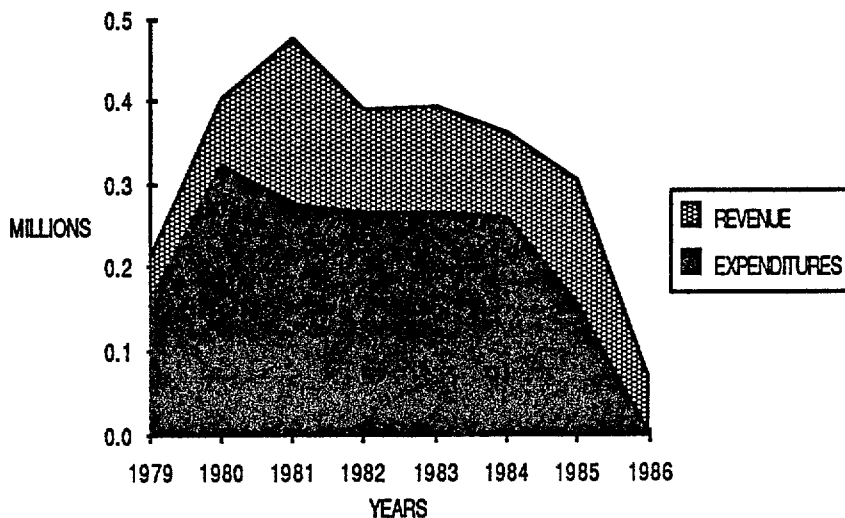


Table 6

**HISTORICAL GRAND CANYON AIRPORT
REVENUE AND EXPENDITURES
AIRCRAFT OPERATIONS AND PASSENGERS ENPLANED**

	<u>1980-1981</u>	<u>1981-1982</u>	<u>1982-1983</u>	<u>1983-1984</u>	<u>1984-1985</u>	<u>1985-1986</u>
Revenue:	\$ 476,800	\$ 390,000	\$ 395,300	\$ 362,826	\$306,955	\$65,750
Percent of Increase (Revenue)	18.1%	(18.2%)	1.4%	(8.2%)	(15.4%)	(78.5%)
Expenditures:						
FTE	9	9	9	9	9	0
Personal Services	120,300	120,400	128,170	136,490	87,600	0
ERE	28,000	22,890	24,350	25,933	16,640	0
Profession & Outside Svcs.	15,600	8,590	2,420	0	0	0
Travel In-State	600	200	360	196	20	0
Travel Out-of-State	2,600	1,000	0	0	0	0
Other Operating Exp.	106,200	116,320	107,860	96,620	52,900	2,600
Capital Equipment	2,400	0	2,420	738	290	0
Total Expenditures	\$ 275,700	\$ 269,400	\$ 265,580	\$ 259,977	\$ 157,450	\$2,600
Percent of Increase (Decrease)	15.4%	(2.3%)	(1.4%)	(2.1%)	(39.4%)	(98.3%)
Net Income (Loss)	\$ 179,800	\$ 120,600	\$ 129,720	\$ 102,849	\$ 149,505	\$63,150
Grand Canyon Airport Annual A/C Operations	100,354	101,847	93,429	92,665	93,104	92,882
Percent of Increase (Decrease)	4.2%	1.5%	(8.3%)	(1.9%)	.5%	(2.4%)
Estimated Annual Passengers Enplaned	501,770	509,235	467,145	463,325	465,510	464,410
Percent of Increase (Decrease)	4.2%	1.5%	(8.3%)	(1.9%)	.5%	(2.4%)

AIR SERVICE AND AVIATION PROGRAMMING/PLANNING

The Air Service/Aviation Planning section is responsible for assisting in the orderly development of the commercial air transportation system serving the state as well as aviation programming/planning functions. This section assists communities and airlines in aviation planning and air service matters which are of regional or statewide significance. It coordinates the development and makes policy recommendations concerning the state's position in relation to air service legislation, administrative rulemaking and legal proceedings before the U.S. Department of Transportation (U.S.DOT), Federal Aviation Administration (FAA), or Congress. This section works with other state agencies to ensure common directions are taken in the improvement of the aviation system.

Since 1978, there have been dramatic changes brought about as a result of the Airline Deregulation Act. Prior to its enactment, the Division was active in both domestic and international route awards, along with the federal certification proceedings of Cochise and Skywest Airlines, a legal process which took more than three years.

Since that time, the section has primarily been concerned with the small communities Essential Air Service (EAS) provision of the Airline Deregulation Act. Eight Arizona communities were assisted in the evaluation of EAS determinations from the CAB. They include Flagstaff, Grand Canyon, Kingman, Page, Prescott, Winslow, Yuma and Douglas. Three cases Kingman, Prescott and Douglas required an extensive amount of time and effort by the Division, which have resulted in air service improvements for Kingman and Prescott and a determination denial for Douglas. Prescott air service has increased from two flights per day to Phoenix in 1980, to 12 flights per day in 1985 with additional service to Las Vegas, Sedona and Winslow. Prescott became one of the few EAS communities in the entire Federal program to become a self sustaining air service point during this past year; only Kingman, Page, and Winslow remain subsidized within the State. Winslow's EAS determination and subsidy expenditures came up for review by the U.S. DOT as a result of Golden Pacific's scheduled service contract expiring. Significant traffic levels at Winslow have yet to materialize.

The section also monitors air passenger traffic in the state; verifying FAA's findings and coordinating statistical errors with local airport sponsors. Such statistics are used by FAA to determine airport improvement funds. Since 1980, this effort has netted approximately \$750,000 in entitlement funds alone for the State owned Grand Canyon National Park Airport. Assistance was also provided for the cities of Prescott, Bullhead, Page and Sedona. As a result of this effort Bullhead and Sedona became eligible for FAA discretionary air carrier funding for the first time.

ADOT also assisted the City of Sierra Vista and its Air Service Task Force on several occasions during the past year. New commuter service has been announced for September 1986.

Planning responsibilities were transferred to the Division in the Spring of 1984. Since that time, the following studies have been completed: Aviation Needs Study, a legislative mandate on the performance of the State's airport transportation system; an Aircraft Counter Program which tabulated aircraft activity at 15 non-towered airports around the state; an Economic Impact Study on Aviation in Arizona; an Airport/Heliport Land Use compatibility study which provided an inventory of the State's primary airport system and a synopsis of Indian airports. The studies are a part of the State Aviation System Plan (SASP). A request for proposals was completed that proposes to completely automate the entire SASP process.

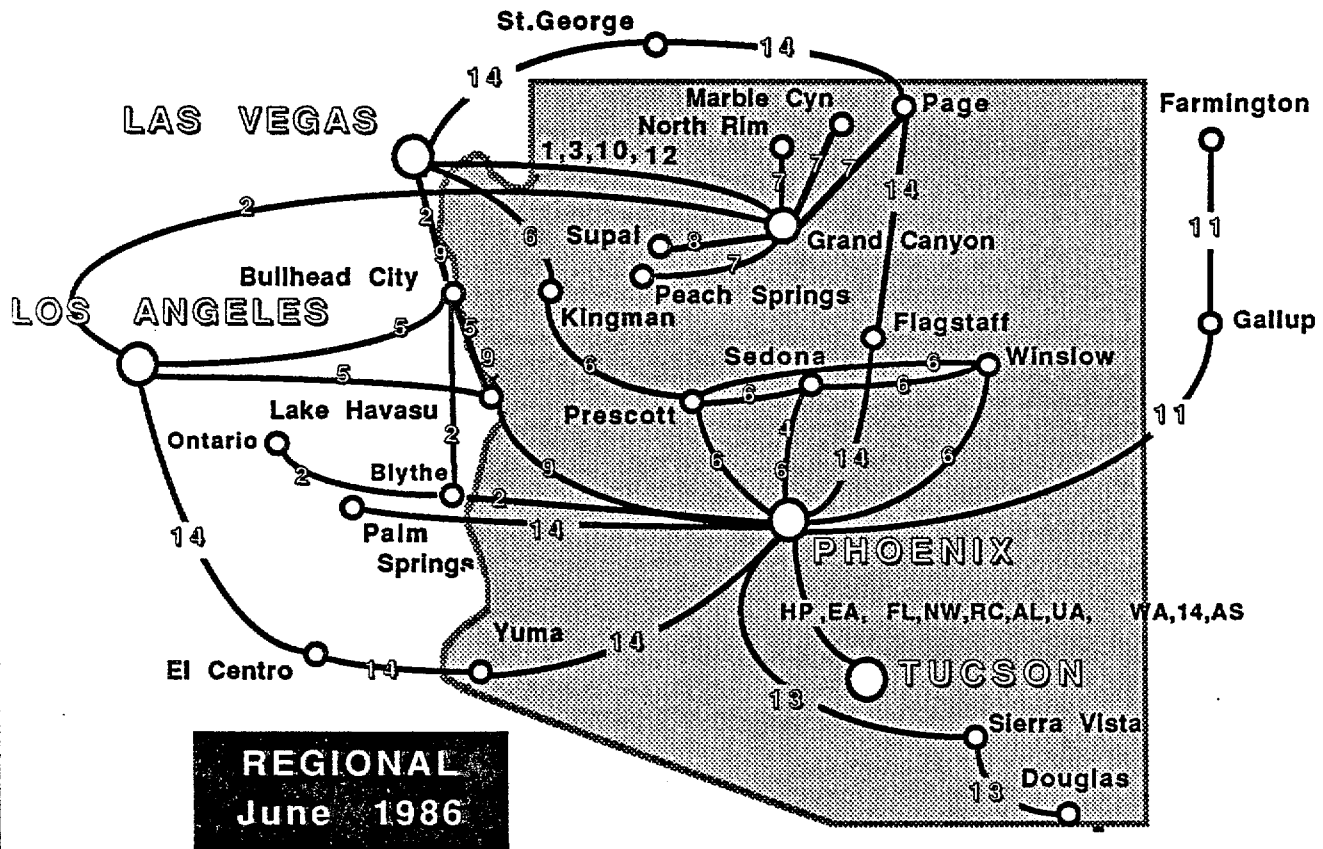
The section worked and coordinated with both Regional Airport System Plans (RASP) that were developed for the Maricopa and Pima County areas. The completed plans will be integrated into the final State plan.

The section has also been instrumental in the Division's office automation program. The priority rating system, which is mandated by State Law, was automated during this period. The rating system is utilized in the annual development of the 5-Year airport construction program. The automation saved approximately six to eight weeks in staff productivity.

The map on the following page depicts the current routes flown by both major and commuter airlines within the boundaries of Arizona as of June 1986.

Arizona Department of Transportation

SCHEDULED AIR SERVICE ROUTES



COMMUTER AIRLINES

PHONE

1. AIR CORTEZ	800-221-1197
2. AIR LA	213-843-1984
3. AIR NEVADA	800-634-6377
4. AIR SEDONA	800-535-4448
5. ALPHA AIR	800-824-2610
6. GOLDEN PACIFIC AIRLINES	800-352-3281
7. GRAND CANYON AIRLINES	800-528-2469
8. GRAND CANYON HELICOPTERS	602-638-2658
9. HAVASU AIRLINES	800-824-6614
10. LAS VEGAS AIRLINES	800-634-6851
11. MESA AIR SHUTTLE	800-545-5119
12. SCENIC AIRLINES	800-634-6801
13. SIERRA VISTA AVIATION	602-458-2855
14. SKYWEST AIRLINES	800-453-9417

Note: Major airlines between Phoenix & Tucson are Alaska Airlines (AS), America West (HP), Eastern (EA), Frontier (FL), Northwest Orient (NW), Republic (RC), U.S. Air (AL), United (UA), Western (WA).

AVIATION SAFETY AND EDUCATION

The Aviation Safety and Education Section is responsible for the dissemination of aviation information, air safety, aerospace education, and monitoring aviation regulations. Duties include planning, organizing and conducting aviation safety seminars. The Section is also a member of the Aviation Safety Advisory Group. This group, whose members represent various aviation users, provides input to the FAA Accident Prevention Program, and conducts a yearly Flight Instructor/A & P Mechanic of the Year awards banquet.

Efforts during 1985-86 concentrated on continuing the safety seminar program; completing the FAA 5010 Airport Master Record inspection program for FY'86, including updating the computerized airport drawings and automating the data section of the FAA form; promoting helicopters and the establishment of public-use heliports; assisting with the State Aviation System Plan; computerized typesetting/layout of the newsletter; electronic communications and bulletin board systems; and membership on the Arizona Aviation Week organizing committee.

The Aviation Safety and Education Section edits and arranges for the publication of the newsletter, Aviation, as well as arranging for the printing of the Aeronautical Chart and other aviation related information.

Aeronautical chart publication was reinstituted in 1979. The chart is a valuable tool and continues to be very popular with the aviation community. This year's chart features large scale area charts for the Phoenix, Tucson and Grand Canyon areas; military approach and departure paths; frequently used Grand Canyon tour routes; the Apache Attack Helicopter flight test area; glider, parachute jumping and ultralight areas; and general aviation VFR Flyways.

A library of video tapes has been started and is being expanded. The State and Regional Defense Airlift Program is maintained and updated by this Section. The review of new private sector weather data reporting and retrieval systems has continued. A division computer bulletin board system has been established and is available to the public.

As a member of the ASU Aeronautical Technology Industrial Advisory Committee, the Section participated in a curriculum review process of the Aeronautical Technology program at Arizona State University. Two new areas of study, which follow prescribed FAA courses for hiring, are now available. The two programs, Airway Science Management and Aircraft Systems Management, prepare students for careers as aviation managers and professional pilots, respectively.

During 1985-86, continued emphasis was placed on coordinating the Arizona Airspace Utilization Committee, the informal Airspace Users Committee, and participation on the Heliport Committees for the Arizona Chapter of the American Helicopter Society and the National Association of State Aviation Officials.

The division has continued to sponsor quarterly aviation safety seminars in Phoenix, Tucson and Prescott. Also, the expanded seminar program continued during '85-'86. Additional seminars are held during the months between the traditional quarterly seminars. These seminars are designed to attract pilots that may not have attended the traditional meetings in the past. Locations and times have been varied. More diverse subjects are being covered, such as cosponsored seminars with the Arizona Hot Air Balloon Club dealing with balloon safety.

PUBLICATIONS

Aviation

Aviation is the official publication of the Arizona Department of Transportation, Aeronautics Division and is distributed periodically to Arizona aircraft owners, aviation organizations, in-state news media, federal and state agencies, aviation publications and airline representatives. There were four issues during FY '85-'86.

The purpose of this publication is to disseminate information on safety, airport development projects, news and activities from local aviation organizations as well as national news affecting aviation.

Aviation has recently been converted to electronic typesetting/layout utilizing the micro-computers, allowing for a significant reduction in the time required in preparation for printing.

Arizona Aeronautical Chart

The Arizona Aeronautical Chart is published annually and distributed through commercial flight operators and airport sponsors. The chart is for aerial navigation and flight planning and provides complete coverage of Arizona, with detailed area charts of Phoenix, Tucson and, with the 1985 edition, the Grand Canyon. The area charts highlight VFR Flyways, military and tour operator routes, and other high density traffic areas.

Progress Report

The annual progress report is a composite of the activities of the Aeronautics Division over the preceding fiscal year.

Helicopter Facts

A booklet on the basic questions a person may ask concerning a helicopter and how it flies. It is designed as a public education tool during helicopter displays or upon request from an individual.

State Aviation System Plan

A modular series of documents which incorporates sections dealing with a statewide analysis of the economic impact of aviation, a facility needs analysis of the State's primary airport system, an aircraft activity counter program, a land use compatibility guide, a commuter air service feasibility study, and a section on new technology for airport management services.

Status and Performance Report for Arizona's Transportation System

A multimodal analysis (aviation, highways, and transit) of Arizona's projected transportation needs for the next twenty years. It constitutes an identification of the additional financial requirements, above and beyond expected revenues, necessary to operate, maintain, and/or improve transportation systems to specified levels of performance.

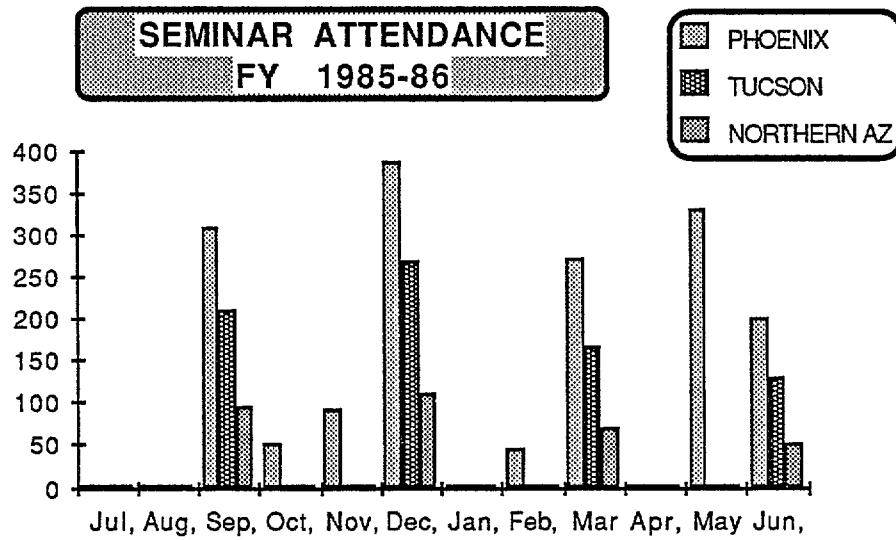


Figure No. 7

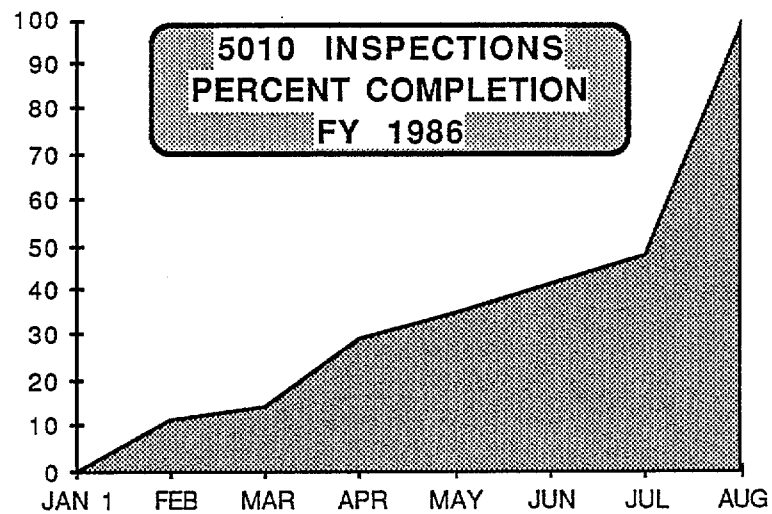


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